



First Session - Thirty-Sixth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Public Accounts

Chairperson
Mr. Conrad Santos
Constituency of Broadway



Vol. XLV No. 1 - 10 a.m., Thursday, September 21, 1995

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Sixth Legislature

Members, Constituencies and Political Affiliation

<u>Name</u>	<u>Constituency</u>	<u>Party</u>
ASHTON, Steve	Thompson	N.D.P.
BARRETT, Becky	Wellington	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave	Kildonan	N.D.P.
CUMMINGS, Glen, Hon.	Ste. Rose	P.C.
DACQUAY, Louise, Hon.	Seine River	P.C.
DERKACH, Leonard, Hon.	Roblin-Russell	P.C.
DEWAR, Gregory	Selkirk	N.D.P.
DOER, Gary	Concordia	N.D.P.
DOWNNEY, James, Hon.	Arthur-Virden	P.C.
DRIEDGER, Albert, Hon.	Steinbach	P.C.
DYCK, Peter	Pembina	P.C.
ENNS, Harry, Hon.	Lakeside	P.C.
ERNST, Jim, Hon.	Charleswood	P.C.
EVANS, Clif	Interlake	N.D.P.
EVANS, Leonard S.	Brandon East	N.D.P.
FILMON, Gary, Hon.	Tuxedo	P.C.
FINDLAY, Glen, Hon.	Springfield	P.C.
FRIESEN, Jean	Wolseley	N.D.P.
GAUDRY, Neil	St. Boniface	Lib.
GILLESHAMMER, Harold, Hon.	Minnedosa	P.C.
HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
KOWALSKI, Gary	The Maples	Lib.
LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
MACKINTOSH, Gord	St. Johns	N.D.P.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McALPINE, Gerry	Sturgeon Creek	P.C.
McCRAE, James, Hon.	Brandon West	P.C.
McGIFFORD, Diane	Osborne	N.D.P.
McINTOSH, Linda, Hon.	Assiniboia	P.C.
MIHYCHUK, MaryAnn	St. James	N.D.P.
MITCHELSON, Bonnie, Hon.	River East	P.C.
NEWMAN, David	Riel	P.C.
PALLISTER, Brian, Hon.	Portage la Prairie	P.C.
PENNER, Jack	Emerson	P.C.
PITURA, Frank	Morris	P.C.
PRAZNIK, Darren, Hon.	Lac du Bonnet	P.C.
RADCLIFFE, Mike	River Heights	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack, Hon.	Niakwa	P.C.
RENDER, Shirley	St. Vital	P.C.
ROBINSON, Eric	Rupertsland	N.D.P.
ROCAN, Denis	Gladstone	P.C.
SALE, Tim	Crescentwood	N.D.P.
SANTOS, Conrad	Broadway	N.D.P.
STEFANSON, Eric, Hon.	Kirkfield Park	P.C.
STRUTHERS, Stan	Dauphin	N.D.P.
SVEINSON, Ben	La Verendrye	P.C.
TOEWS, Vic, Hon.	Rossmere	P.C.
TWEED, Mervin	Turtle Mountain	P.C.
VODREY, Rosemary, Hon.	Fort Garry	P.C.
WOWCHUK, Rosann	Swan River	N.D.P.

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Thursday, September 21, 1995

TIME – 10 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Conrad Santos (Broadway)

ATTENDANCE - 11 -- QUORUM - 6

Members of the Committee present:

Hon. Mr. Stefanson

Messrs. Dyck, Helwer, Lamoureux, Laurendeau,
Maloway, Penner, Radcliffe, Sale, Santos, Tweed

APPEARING:

Mr. Steve Ashton, MLA for Thompson
Ms. Carol Bellringer, Provincial Auditor

MATTERS UNDER DISCUSSION:

Public Accounts, Volumes 1, 2 and 3 for the fiscal year ending March 31, 1993; Public Accounts, Volumes 1, 2, and 3 for the fiscal year ending March 31, 1994; Provincial Auditor's Report for fiscal year ending March 31, 1993; Provincial Auditor's Report for the fiscal year ending March 31, 1994; Provincial Auditor's Report for fiscal year ending March 31, 1995, Volumes 1 and 2.

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Madam Clerk Assistant (Judy White): Order, please. Good morning. The first order of the Standing Committee on Public Accounts this morning is to elect a Chairperson. Are there any nominations?

Mr. Steve Ashton (Thompson): Yes, I would like to nominate Mr. Santos.

Madam Clerk Assistant: Mr. Santos has been nominated for Chairperson. Are there any other nominations? Seeing none, Mr. Santos, would you please take the Chair.

Mr. Chairperson: The second order of business for the committee this morning is to elect a Vice-Chairperson. Are there any nominations?

Mr. Marcel Laurendeau (St. Norbert): I would like to nominate Mr. Helwer.

Mr. Chairperson: Mr. Helwer has been nominated. Any other nominations? Seeing none, Mr. Helwer is elected by acclamation as Vice-Chairperson.

We have before us a number of reports for consideration this morning. They are the Public Accounts, Volume 1—

Mr. Jim Maloway (Elmwood): Mr. Chairperson, I would like to suggest at the outset that we establish a schedule for future meetings because historically this committee has rarely met, perhaps only once a year. We have a number of important things that we want to deal with on the committee. Perhaps this is the time to discuss what the future schedule of meetings should be. We might suggest a half a dozen meetings.

Mr. Chairperson: Under present rules, the committee has no such power, except to make recommendations. The ultimate decision is in the hands of the government.

Mr. Maloway: Mr. Chairperson, well, in other jurisdictions in the country, the Chairperson of the committee does have the power to call the meetings. Such is not the case here. Since the minister is here with us today, I wonder if he could give us a schedule at this point. Perhaps we could have a meeting once every couple of weeks for the next month or so or two months or so.

Hon. Eric Stefanson (Minister of Finance): Mr. Chairperson, I think, last year, we met three times when we were in session during the March till June session. There was a degree of co-operation and willingness to meet as much as required, but at the end of the day that is an issue that can be dealt with and resolved by the House leaders.

Mr. Tim Sale (Crescentwood): Mr. Chairperson, I wonder, through you to the minister, if the minister would then be prepared to agree that we would meet at least four times before the close of this session and refer the matter of regular meetings to the House leaders for their discussion and recommendation.

Mr. Stefanson: Mr. Chairman, I think we should see how much progress we make today. I have confidence in the House leaders' ability to ultimately come to a mutual agreement as to what future meetings are required.

Mr. Ashton: Mr. Chairperson, if I can be of any assistance as one of the House leaders, I can indicate that our position is quite clear, that we want some commitment up front for some number of hearings. I think the minister can understand the position we are in. If we have some sense up front of how many meetings we have, it allows us to better structure our questioning.

Quite frankly, I agree with my colleague when he states we should have the number of meetings he referenced over the next period of time. We had three before. We are dealing with some major issues in this Public Accounts committee. I know many of our members certainly have questions, and maybe government members as well have questions about some very significant public issues.

I would hope that the minister perhaps would also be of assistance when it comes to talking to the House leader and perhaps supporting some sort of a commitment up front to scheduling such meetings. Certainly that is our position, and it is certainly my position as House leader for the New Democratic Party.

Mr. Stefanson: Again, Mr. Chairman, I have confidence in both of the House leaders' ability to deal with this. I think if we are looking for meaningful improvement to how this committee functions, there are a series of things that can be done. The Provincial Auditor has recommended various things that should be done that have not been adopted. Beyond regular meetings, the idea was put forward some time ago about having agendas for meetings. That has not been done. Opposition parties putting their questions in

writing if the whole objective is to gather information and so on—to put those questions in writing in advance of the meetings was another suggestion from the Provincial Auditor that has not been followed.

I think there are a series of things, if both groups are prepared to improve how this committee functions, that we can do that I would leave to the House leaders to resolve basically as a package in terms of how this committee can improve how it functions in terms of providing information.

Madam Clerk Assistant: Order, please. Unfortunately, the member who nominated the Chairperson, Mr. Santos, is not officially a member of the committee and therefore cannot move a motion, so in order to correct the procedure, we need a member of the committee to nominate Chairperson.

Mr. Laurendeau: I would like to nominate Mr. Santos as our Chairperson.

Madam Clerk Assistant: Thank you, Mr. Laurendeau. Mr. Santos has been nominated as Chairperson. Are there any other nominations? Seeing none, Mr. Santos, would you please take the Chair.

Mr. Chairperson: So I am entitled to a second term. The nomination being illegal, strictly speaking, all that proceeded before is of no effect, so we shall consider everything anew.

* (1010)

Mr. Sale: Are you asking for a nomination of Vice-Chairperson or is that required? [interjection]

Mr. Chairperson: Is it the will of the committee to consider all proceedings that had transpired as legal? [agreed]

We have before us a number of reports for consideration this morning. They are (1) the Public Accounts Volumes 1, 2 and 3 for the fiscal year ending March 31, 1993; (2) Public Accounts Volumes 1, 2 and 3 for the fiscal year ending March 31, 1994; third, the Provincial Auditor's Report for the fiscal year ending March 31, 1993; fourth, the Provincial Auditor's Report

for the fiscal year ending March 31, 1994; fifth, the Provincial Auditor's Report for the fiscal year ending March 31, 1995, Volumes 1 and 2.

If any members do not have copies of these reports, there are extra copies available on the table behind me.

At this time I would like to invite the honourable Minister of Finance to make his opening statement.

Mr. Stefanson: I have a very brief opening statement mostly relating to the Provincial Auditor's Reports. As you mentioned, we are dealing with the Provincial Auditor's Reports covering two fiscal years, 1992-93 and 1993-94. My comments are intended to apply to both of those years.

We are pleased with the number of project audits done during the year where the Provincial Auditor concluded that the internal controls or accountability systems were operating satisfactorily. Some examples of these are in 1992-93: the GRIP program, the Manitoba Arts Council, the Manitoba Mineral Resources, the Rural Economic Development Initiative.

In 1993-94, some examples are: lending activities at Manitoba Agricultural Credit Corporation, the authority delegated to the Department of Labour by Treasury Board, the management of funding for private schools by the Department of Education and Training, and the manner in which the Grow Bonds Program is evolving.

It gives us a great deal of comfort when the Provincial Auditor performs her audits and provides a good report card on so many activities. I just want to very briefly comment on special operating agencies. We are pleased with the study of the SOA concept done by the Provincial Auditor and reported on in some detail in her report. The development process we are following is experimental and incremental and so far has shown considerable promise. Although the use of SOAs is firmly established in Great Britain and at the federal level in Canada, Manitoba is leading the provinces in development of this innovative approach to managing programs.

I want to touch on the Estimates Supplements and annual reports. The Manitoba government has a fairly

well-developed system of Estimates Supplements and annual reports and has agreed to add a few more as a result of the Auditor's comments in her reports to the Legislature. Work is continuing to improve the linkage between planned results as indicated in the Estimates Supplements and actual results as reported in the departmental annual reports. A recent survey of other provinces showed us that Manitoba is further developed than most provinces in this regard. For example, none of the other provinces surveyed prepare Estimates Supplements.

We expect to make some very significant progress on the release dates for 1994-95 annual reports issued by government departments and Crown organizations. A deadline of September 30, 1995, has been established for the tabling and release of these reports.

In terms of the earlier Public Accounts, Volumes 1 and 2 of the 1992-93 Public Accounts were released on November 17, 1993, about a month earlier than the previous year. Volume 3 was released December 23, 1993, about two months earlier. These release dates were improved by about one month for the 1993-94 financial statements with Volumes 1 and 2 being issued on October 18, 1994, and Volume 3 on November 28, 1994. We expect to make further improvements for 1994-95. Volumes 1 and 2 will be released before the end of September and Volume 3 by the end of October.

Those are just some very brief opening comments, Mr. Chairperson.

Mr. Chairperson: I would like to thank the honourable minister. Does the critic of the official opposition, Mr. Sale, have an opening statement to make?

Mr. Sale: We welcome the news that there will be an earlier release date on a number of the items under scrutiny. In particular, we certainly welcome the opportunity to get at the long agenda that is before this committee. I am concerned that we have several years of things to deal with, and I think that is not in the best interests of Manitobans to have things outstanding over a period of time as long as we have had.

I think our particular concern on this side, Mr. Chairperson, is that this committee be substantially

strengthened over the next period of time. We know that in other provinces there are regular meetings of Public Accounts committees throughout the year. In some provinces, provincial officials are expected to attend and to respond to questions. I think there is merit in the minister's request that at least some of the questions of the opposition be put in writing on some occasions. I think that is an appropriate suggestion.

I hope we can move in a direction to strengthen this committee's work. I look forward to the regular establishment of a meeting schedule and some rule changes which would make our operation of this committee more consistent with some of the more progressive provinces where the Chairperson, for example, has the authority to convene meetings on the basis of reports having been received or items of public concern needing the attention of the committee. I think that when that kind of authority is in the hands of a chairperson, it will be responsibly used.

I do not think that the government has anything to fear from a strengthened Public Accounts committee. Indeed, as the minister says in his opening remarks, all Manitobans have nothing but things to gain from the Public Accounts process being effective, open and vigorous because accountability is thereby served more effectively.

So I welcome this process and look forward to having a more regular process as this session unfolds. I thank the minister for his opening statement.

Mr. Chairperson: I would like to thank the honourable member for Crescentwood.

Would the Provincial Auditor like to make an opening remark?

Ms. Carol Bellringer (Provincial Auditor): I did not prepare any specific opening remarks this morning. There was so much to cover that I do not want to take away the precious time that we have.

Certainly, I welcome you to the committee and hope that we can be of assistance to you all.

Mr. Chairperson: Thank you, Ms. Bellringer. I would like to appreciate some guidance from the

committee. How would the committee like to consider this report? Shall it be done by years, or by types of reports, or shall it be a general discussion of all the reports all at once?

Mr. Edward Helwer (Gimli): Year by year and certainly at the close of the session at 12:30, hopefully we can pass some of the older reports, but I think year by year would be probably the best way to do it.

Mr. Chairperson: It has been suggested by Mr. Helwer that we consider the reports year by year. Any other suggestions?

Mr. Maloway: In the past, because the critics have questions that cut across years, we have taken a general approach to it and allowed the questions to be in any area and then deal with passing the reports at the end of the meeting. That has been our past practice.

Mr. Stefanson: Mr. Chairman, to a certain extent I think the member for Elmwood is right that we have had a great deal of latitude in terms of how we functioned. I think of the three meetings we had last time, we ended up speaking and discussing mostly very current issues, issues that really had no direct impact on the years and the reports that we had before us.

I think today though it would be productive, realizing we do have a report back to 1992-93, that surely the opposition knows sitting here today if they have any specific questions about reports that go back to that period of time that we can at least clear those up. I am prepared to be very flexible, and I think the committee would be in terms of if they have questions.

I know they are interested in issues like the Winnipeg Jets and other issues that there is some history to, but there is also a current element and we are prepared to continue to discuss almost any topic.

Surely they know today on some of these reports that date back, if they have a specific question and if they do not, that we could pass those right off the bat and get them out of the way. I am still prepared to deal with any other questions that they might have.

* (1020)

Mr. Maloway: Mr. Chairperson, I agree with the minister. That was my point that we be allowed to ask questions that cut across the years, and at the end of the meeting today we will make a decision as to whether we want to pass and which reports we want to pass.

Mr. Stefanson: Mr. Chairman, with respect, I accepted that when we met last time, and we ended up not dealing with any of the reports at the end of the meeting. I am indicating I am prepared to attempt to answer any questions that they might ask, but surely, I point out again, a report from 1992-93, they must know if they have a specific question on that report. That goes back to the member for Crescentwood's (Mr. Sale) comments.

One of the reasons that we have some reports that date back is because we do tend to focus on current issues when we meet. We agree to pass them at the end of the meeting, and we do not pass them, so we sit here with a report that goes back to 1992-93. I think we should strike a balance between both approaches that have been suggested, some of these older reports. Let us determine if there are any specific questions. If not, let us pass them and then I am prepared to be very flexible in answering any questions. The approach in the past to say we will leave them to the end, that is one of the reasons that we have a report going back to 1992-93. If the opposition has some questions on that report, let us hear them and we will attempt to answer them or get the information.

Mr. Maloway: Perhaps, ultimately, this question will have to be resolved by the House leaders, because I mean I think what we see here is the government wanting to try to limit the debate as much as possible and limit the amount of meetings that this particular committee has in its opportunity to deal with these reports. So we are pretty reluctant to pass the reports without any degree of expectation that we are going to have future meetings. I think if the minister could guarantee us that we would have some future meetings, then we could agree to pass some of these reports today.

Mr. Stefanson: Mr. Chairman, nothing could be further from the truth, and I am not sure if the member for Elmwood (Mr. Maloway) sat through some of the

previous meetings or not. But, again, if he were to check the minutes of those meetings, we discussed at that particular point in time very current issues. We had lengthy discussions on the Winnipeg Jets; we had lengthy discussions on Workforce 2000; we had lengthy discussions on the Immigrant Investor Program. All I am saying, those were issues of the day that they had questions about. No problem. We attempted to answer them, get information and so on.

I am saying to them today that if they have questions about a report that goes back to 1992-93—surely they know that, if they have any questions, then they should ask them, and we should deal with those reports.

Mr. Chairperson: To facilitate things, is there any specific motion about what we should do?

Mr. Maloway: I think we can agree that at the end of this meeting we would be willing to pass the '92-93 report. I think we can guarantee that.

Mr. Sale: The member for Elmwood (Mr. Maloway) has made a suggestion which, I think, is a reasonable compromise. We would ask the minister to respond in kind and agree that we will have a minimum of four meetings. We will agree to pass '92-93 at the conclusion of today's meeting. We can then get on to the current year.

The only caveat that I would like to state on that is that, as the Provincial Auditor has stated, in fact going back as far as 1989-90, there are many multiyear issues in any public accounts system, and these issues cannot be restricted in terms of one-year's discussion. The minister, I think, is well aware of such issues as the Fiscal Stabilization Fund, for example, which continues to be a matter of concern stretching over a number of years.

So we will agree to pass '92-93 at the conclusion of today if the minister will agree to a schedule of a minimum of four meetings during this session of the Legislative Assembly.

Mr. Jack Penner (Emerson): It is becoming more apparent that, as the discussion goes on, there are concerns that we have on this side of the table, that is,

simply that there are a number of outstanding accounts that need to be addressed and passed. To have '92-93 before us today, I think, is simply a demonstration of the unwillingness of the opposition members to deal specifically with issues dealing with matters on a yearly basis and in a concise manner. Let this committee put aside those issues and proceed with the regular address of the public accounts at this committee meeting.

I would suggest that Mr. Sale made an absolutely acceptable proposal at the outset of the meeting when he suggested that it was not acceptable to have these long, outstanding accounts before this committee and that we should deal with them in an appropriate manner.

I think the minister has suggested an appropriate way to deal with them and get them out of the way and address the current issues before us. I think it would be in the public interest that we pass very quickly today those two years outstanding and deal with the issues that are before the House and before the public in a concise manner at this committee.

That is what this committee was set up to do, and that is what it traditionally has done. It is only the last number of years that we have had this backlog of issues before us.

So I would ask the opposition members to address those outstanding issues, make those considerations, pass the years outstanding, and let us deal with the issues before us.

Mr. Chairperson: Since there is some kind of argument here, can we just make a broad discussion on 1992-93 report and then at the end of the committee meeting have a commitment to pass this? Or, if the committee wants to recommend some other procedure, can we have it in the form of a motion?

Mr. Sale: Mr. Chairman, I would move that we pass the '92-93 report and that we allow discussion to fall back on those two years if there are issues that intertwine on future reports and the '92-93 reports.

So I would make the motion that we pass the report at the outset and then move on to the next year's report.

* (1030)

Mr. Chairperson: There is a motion here to pass the 1992-93 report with reservation that questions relating to this report can still be discussed.

Mr. Sale: Mr. Chairperson, I would suggest that you may want to appeal to a ruling beyond this committee. I do not believe that it is in order to preclude debate on a matter that has not been concluded before the committee. This is, in effect, a closure motion which says that you are going to pass something before we have even talked about it, and then you will let us go back and talk later.

I, Mr. Chairperson, with respect, made I thought a very reasonable compromise; that is, we will agree to pass '92-93 today at the conclusion of this meeting, as the minister indeed suggested himself. We wish to know, though, that we will have a schedule of future meetings, and whether the actual dates are set today or not is irrelevant, but that there will be a minimum number of meetings held during this session. I suggested four.

I think that is a very reasonable compromise, and I agree that these accounts should be passed today, that there is every reason that they should be laid to rest, and we will not obstruct that, but I do not believe the motion as presented by the honourable member is in order at this time. I do not believe that it would pass the test.

Mr. Chairperson: We are debating the motion now.

Mr. Stefanson: It is unfortunate we are spending the amount of time on this issue that we are in terms of the process. I do not think it is an unreasonable motion before us. As I said at the outset, I think in terms of future meetings, that is an issue that our House leaders should resolve, along with the other issues about agendas, about questions in writing, about attendance at meetings, a whole range of issues that should be addressed by our House leaders.

My point is very simple. I mean, we have a report that goes back three years, and, surely, the opposition today must know if they have any questions that relate

to that report. I am just saying, to me, sequentially, it makes sense if you would deal with that time frame. If there are any questions, then say, let us resolve it and let us move one report on.

I am not in any way trying to preclude questions on a whole range of topics, I have indicated. The past practice of this committee has been that we have a wide-open discussion on issues of the day and everything, but, surely, they are organized enough to know if they have anything that pertains to a report that is three years old.

I think last time we met, we talked about this process of passing things at the end of the meeting and those things never happened. It ended up the whole discussion in all of those meetings never related to those reports anyway. So we have now gone through probably four or five or six meetings of this committee where there has been no specific questions on the '92-93 accounts, but yet it continues to roll forward.

Why would we not determine if there are any questions on that report? If there are no questions on that report, pass it, get on to the next time frame, where, again, we are into more current issues, and based on how we perform here, we will attempt to answer any question on any issue. But this just seems to be an approach to leave reports on the agenda in perpetuity without ever attempting to bring forward any questions or any issues around them, and I think that is ridiculous and counterproductive.

Mr. Chairperson: We are waiting for the motion to be put in writing. Any other comments?

Mr. Sale: Mr. Chairperson, for the record, that is precisely what this side agreed to, was to pass these accounts today, and I take offence at the minister attempting to construe our words to be otherwise than they are.

Very plainly, we said we would pass '92-93 at the conclusion of today's meeting. That meets his objective in terms of getting on to the current reports which have not been considered by the committee. We have questions on '92-93. They have not been adequately addressed, and we are quite prepared to do

so, but we are prepared to compromise and to pass those accounts today. We simply want commitment that this will not be the last meeting of this committee as has been the case in the past under the minister's predecessor who simply terminated the meetings of the committee and narrowed the scope of debate such that Manitobans were not well served in terms of Public Accounts' function.

Mr. Stefanson: Mr. Chairperson, if the member for Crescentwood (Mr. Sale) would agree to pass '92-93 at the end of the meeting unconditionally, I think that is reasonable. We have already discussed the issue of future amendments. We have discussed the issue of future meetings. We have discussed agendas, questions in writing, attendance at meetings. If he is saying that they will pass those unconditionally, I think that is fine. We can get on with the other questions at hand, but not with any conditions attached to it.

Mr. Chairperson: There being a motion on the floor, maybe it could be amended appropriately.

Mr. Maloway: The member has taken the trouble to draft a motion. Let us deal with the motion and get on with the questions.

Mr. Stefanson: Mr. Chairman, the member for Crescentwood (Mr. Sale) has asked some questions of me. I would ask him that same question. Is he prepared to pass 1992-93 at the end of this meeting unconditionally? If that is the case, then there is no need for this motion.

Mr. Chairperson: The motion if it is properly amended by the honourable minister will say now that the reports will be passed unconditionally at the end of the meeting.

Mr. Stefanson: Mr. Chairman, I asked a question of the member for Crescentwood. I have answered all of his questions. I asked him a simple question, will he agree to pass the '92-93 accounts unconditionally at the end of the meeting if we have a broad discussion on whatever questions they have before us today, whether it is '92-93 or '95-96?

Mr. Chairperson: There is a motion before the committee, but the agreement between the minister and

the honourable critic is not exactly at par with the motion. The motion says at the outset of the meeting, and the agreement is that it will be passed unconditionally at the end of the meeting. Is there an amendment to be proposed?

Mr. Mike Radcliffe (River Heights): Mr. Chairman, I believe the honourable minister had asked a question, and I do not think I heard an answer to that question. That question perhaps touches upon the relevancy of the motion. So it would be perhaps valuable if we heard the response of the honourable member because that would then give guidance to the members of the committee as to how we would deal with the motion.

Mr. Sale: I thank the minister for his question. I think it is a fair question. My understanding of the rules, Mr. Chairperson, is that any motion that accepts the Public Accounts of the province at any time is simply a motion to do so. It is not a conditional motion. I do not know any such motion as being proper under the rules of this House.

So I expect that the word that we gave, which is that the accounts would be accepted at the conclusion of this meeting, to be a normal motion in Public Accounts or in any other committee to accept a report, to accept accounts, to move Estimates, to give agreement to a bill. It will show in the minutes of this committee. I think the Clerk will probably bear this out as simply the motion to approve those accounts. That is what we committed to do, and we are quite prepared to live with that commitment. So I have no problem telling the minister that the motion that would be moved would simply be the normal motion of concurrence in the account.

Mr. Chairperson: Under the existing rules, reports have to be passed by the Public Accounts committee. The rules do not say when it will be passed. Right now the situation is this, there is a motion on the floor and we have to deal with the motion.

The motion on the floor can be amended if the committee so wishes to reconcile both competing claims.

The motion says that the 1992-93 report—Mr. Penner moved that the committee pass the 1992-93 report at

the outset of the meeting and that it allow for a crossover of discussion for issues pertaining to the previous years including further debates. Is there a motion to amend?

Mr. Penner: Maybe we can change the word from the outset of the meeting to the end of the meeting if that is the will of the committee.

Mr. Chairperson: An amendment has been proposed by the mover to his own motion, that acceptance of the report be postponed to the end of the meeting. Agreed?

Some Honourable Members: Agreed.

Mr. Chairperson: So the motion now reads, that this committee pass the 1992-93 report at the end of the meeting. Agreed?

Some Honourable Members: Agreed.

Mr. Chairperson: So ordered.

An Honourable Member: A recorded vote, Mr. Chairperson.

Mr. Chairperson: A recorded vote has been called—a counted vote is the proper name.

An Honourable Member: For the record, Mr. Chairperson, I would like to call for a counted vote on the motion.

* (1040)

Mr. Chairperson: All those in favour of the motion, please raise your hand. Only committee members may vote. All those opposed?

Seven in favour, two opposed. Motion carried.

The questions can now begin.

Mr. Sale: Mr. Chairperson, again and briefly for the record, I regret that we spent 40 minutes of this committee meeting agreeing to do what the minister and our side had essentially agreed at the outset of the meeting, to agree to regularly scheduled meetings and to pass these accounts today.

So let me begin with the question to the Provincial Auditor if I may. Could you for the record state what the deficit in 1992-93 would have been had your note in regard to the Fiscal Stabilization Fund been appropriately taken into account?

Ms. Bellringer: Mr. Chairperson, I apologize. It is not on the tip of my tongue. I go to Volume 3, The Summary Financial Statements for 1992-93, and the consolidated net expenditure that year was \$669 million. To that, you would add \$150 million for the pension and salary-related benefits that were not reported in the year, which was noted in our qualification, and that set of statements takes into account the Fiscal Stabilization Fund as though it had just been part of the regular operations of the government.

Mr. Sale: Mr. Chairperson, I wonder if the Provincial Auditor could state for the record the particular concerns that she outlines in her statement to which she referred on page 3, the issue in particular of the Fiscal Stabilization Fund and its impact on materially misstating the underlying Operating Fund accounts—if the Auditor could make some general comments about the concern and her recommendations.

Ms. Bellringer: I just want to clarify that we are referring to the summary statements.

Mr. Sale: Yes.

Ms. Bellringer: What we have done with the audit opinion is that in the Volume 1 of Public Accounts when we put our audit opinion on the statements there is an opening paragraph, if you will, before the opinion, pointing out that Volume 1 is the Financial Statement for the Consolidated Fund which reports the transactions for the Operating Fund and the Trust Fund only. While we have an opinion included in those financial statements, which has a similar kind of qualification for pension liabilities—pension liabilities are reported neither in the Operating Fund nor in the Summary Financial Statements, but there is a fairly significant difference in the way that the Operating Fund is put together and the way the summary statements are put together.

The Operating Fund and Trust Fund accounts will not necessarily include all the activities of the government, and that is why we make reference in that opening paragraph to the fact that we have to turn to the summary statements to get the full picture.

The Fiscal Stabilization Fund is merely an example. Some of the other differences would be the earnings, for example, of Crown corporations, which is brought in on what is called a modified equity basis. It does not get combined in all of the assets and liabilities and so on, but rather one line shows the results for the year. There are a number of restrictions on the use of those funds and those restrictions are also noted in the statements.

There is a difference between the two sets of accounts from the perspective of, one is showing what you have voted on and then the results for the Operating Fund and the Trust Fund. The other is showing what we believe to be the results of operations for the province for the end of the year, and that is Volume 3.

Mr. Sale: Am I then correct in saying that the deficit for '92-93, on the basis of this volume which is Volume 3, would have been \$748 million in the year in question?

Ms. Bellringer: Mr. Chairperson, could I just get a clarification of how you got to that number?

Mr. Sale: Mr. Chairperson, I thought I was using the Provincial Auditor's methodology. Perhaps she can tell me the number that she thinks would be the correct number for that year on the basis of Volume 3?

Ms. Bellringer: We are adding \$150 million to \$669 million, so I get, without my calculator here, \$819 million.

Mr. Sale: \$819 million. Could you then just take us through the arithmetic that led you to \$819 million?

Ms. Bellringer: I am thinking \$669 million, the consolidated net expenditure from Volume 3, the thin book, and to the \$669 million, adding \$150 million for pensions to get the \$819 million.

Mr. Sale: The deficit stated on the basis of Volume 3, the total financial picture for Manitoba for the year ending March 31, 1993, would be according to the Auditor an \$819-million deficit?

Ms. Bellringer: That is correct.

Mr. Sale: Mr. Chairperson, I wonder if the Auditor has had any discussions with the Department of Finance in regard to improving the methodology by which the Fiscal Stabilization Fund is reported and taken into account in Public Accounts and in the various operating statements of government in which this fund is not I think transparently present in some of those statements. Have there been discussions about restating or changing the accounting practice to more clearly reflect the Provincial Auditor's concerns?

Ms. Bellringer: Mr. Chairperson, the position that I have taken is that there is a set of statements that puts it all together, and we have not singled out any one of the agencies, boards, commissions, Crown corporations and so on that would make the change between the Volume 1 and the Volume 3. Our position has been to continue to recommend, and certainly we cannot make anyone do it, but recommend the focus on the summary statements rather than trying to—there is no one element that we would suggest be changed any more than any one other. We think just in total the whole thing, the focus should be on the summary statements to look at the overall financial position of the province and the results for the year.

Mr. Stefanson: I should point out for the member for Crescentwood, if he has not had a chance, to read the Provincial Auditor's Report for 1994-95. She does in fact make that very case that she just touched on, that she has continued to stress the utilization of the Summary Financial Statements. I will not read you all of the response of the comment of officials of the Department of Finance, but they are in '94-95 Auditor's Report on page 6.

The member for Crescentwood chose a particular year where the consolidation leads to an increased deficit. I think if you were to track most years you would find that the Summary Financial Statement actually produces a lower deficit because it brings into

income all of the incomes of our Crown corporations, whether it is Hydro, Telephones, all of the Crown corporations here in Manitoba, but from our point of view we continue to focus on Volume 1, because it is Volume 1 that is the deficit that is created, that is tax supported along with what adds to the general purpose debt in Manitoba, which again is the tax-supported debt, as opposed to the self-supporting debt that exists within all of our Crown corporations where that debt is serviced by the income that is generated by the Crown.

We think in terms of accountability to taxpayers, the interest of the taxpayers, that our greatest responsibility should be to continue to focus on Volume 1. That has been the approach that we have consistently taken. It has been a discussion that officials from Finance, and myself included, have had on various occasions with the Provincial Auditor. I think, when you see the value of Volume 3, we also see a significant value to Volume 1, because that is the account, that is the statement that has the most direct impact on the taxpayers of Manitoba in terms of what we do around issues like taxation, controlling expenses, balancing budgets and so on, Mr. Chairman.

Mr. Sale: I thank the minister for his comments. I think the minister would agree that the operation of Crowns has long been seen as a separate matter from the overall operations of the internal Operating Fund of government, that is, the fund through which we have many hours of debates on Estimates and pass in the form of a budget. I would concur with him that in some years the Crowns contribute significant profits and some years they do not. I think that is not the issue here. The issue is that in 1989-90 this government decided to establish an innovation which was to take from the Operating Funds of government, the normal Operating Funds of government, in the form of own-source receipts, federal transfers, fees and permits, et cetera.

There was a decision to segregate monies out of the operating income of the province into a Trust Fund. The net result of that segregation is as the Provincial Auditor has recorded, starting with Mr. Jackson, the current Auditor's predecessor, that is that there was a misstatement of the revenues of government as a result, because they appeared to be \$200 million lower than they were.

The impact, of course, is that it appears we have to borrow money to cover that deficit. It appears then that the province is in a significantly worse position than it was in that particular fiscal year. It was simply accounting sleight of hand. Were that Trust Fund shown as part of the financial statements of government in Volume 1, were that disclosed in a very clear and transparent manner, then we would have in place a stabilization fund that we could argue the merits of. Nevertheless, it would be abundantly clear to Manitobans that in any given year the real position of government was net of the effect of the stabilization fund, that is, you could not bring the stabilization fund in to change the picture.

* (1050)

Our concern is that the effect has been as described by successive auditors. I agree with the minister that the consolidated statements, insofar as they bear on the effects of the Crowns on the overall bottom line, are appropriately different from what is in Volume 1. Our position has always been though that the stabilization fund should very clearly be part of Volume 1, because its effect is so much related to the current revenues and current expenditures of government itself and not of its Crown subsidiaries.

Mr. Stefanson: The member for Crescentwood uses words like "misstatement of statements" and so on. There has been no misstatement. All of this information has been reflected very clearly in Volume 1 and ultimately in Volume 3 through the consolidation. All that happens is, through Volume 3, transfers from the Fiscal Stabilization are cancelled out in those years. I would argue that the Fiscal Stabilization Fund has served Manitobans very well over the course of the seven or eight years and that in part, as a result of that, the deficits in Manitoba on average over that seven-budget period when we ran deficits averaged 1.3 percent of our gross domestic product.

That compares to deficits running from 1982 to 1988 of 3 percent of our gross domestic product, more than cut in half and at the lowest level during that seven-year period, the lowest level in all of Canada, the best performance in all of Canada, and acknowledged by

bond rating agencies, investment dealers, people who buy the bonds of Manitoba. I think, from our perspective, that fund has served Manitobans well, and I believe Manitobans recognize and acknowledge that.

Mr. Sale: I could not agree less with the minister. I think, as a person with a professional accounting background, the minister knows very well that the real statement is the statement that the bond rating agencies and others look at and that the reason for the stabilization fund all along has been the political optics of being able to appear to say that they inherited a deficit when in fact they inherited a surplus and to be able to appear, in any given year, to make the bottom line of their real operations different from the accounting truth, which comes out in Volume 3 of the Public Accounts, which then gives the picture.

As the Provincial Auditor says, it is not just the picture in regard to the effect of the stabilization fund, which is one of several items we want to discuss today. It rolls in all of the other issues of Crowns and unfunded liabilities, which then do not allow people who read it to make a clear judgment as to whether there has been a deficit or a surplus encountered in any given year, because the government uses the stabilization fund to attempt to tell Manitobans that its operations in any given year are significantly different than the true bottom line.

It is purely a political optics resource that the government has used to attempt to mislead Manitobans. We continue to say that we think the auditor should make very clear to government, and should provide in her statements, a building up of the difference and a very clear exposition of the difference between Volume 1 and Volume 3 so that each contributing item is clearly itemized. We know that to get from A to C the following steps are required, add this, subtract this, et cetera, so we can build up that picture in a very transparent and clear manner.

I do not believe that it is sufficiently clear in terms of the issues that are noted, I think, on page 6 of Volume 3 at the present time, how we would then get from the \$669 to the \$819. I think we need a statement that very transparently does that in each of the years we are going to be discussing.

Mr. Stefanson: I cannot leave a comment or two without a response, because the member for Crescentwood (Mr. Sale) and some members of his political party have a revisionist version of what happened back in 1988, when they were in government and their Finance minister of the day tabled a budget with a deficit of, I believe, \$352 million, I think it was. In fact, that budget was so unacceptable that one of their own members voted against it. It brought down the defeat of the government and ultimately the election that led to our government coming to power.

The member for Crescentwood uses the word "mislead." I think he should take that word to heart himself and think about what he is attempting to do when he does not acknowledge that the budget they tabled in 1988 had a \$350-million deficit. One of their own members voted against it, and their government was just defeated. To try and portray this myth that they were able to somehow be generating surpluses is again just that; it is a complete and total myth.

I know the member for Crescentwood (Mr. Sale) and his party have difficulty understanding and accepting the principle of establishing reserves, of establishing saving accounts. They came through some buoyant times in terms of our economy in the 1980s, but, instead of being responsible and setting money aside during the good times, they just continued to spend and rack up the deficits at record paces, increasing the debt in Manitoba by some 400 percent during the period of 1982 to 1988, probably the worst record, certainly, in Canada if not the entire world. I know the principle and the concept of setting aside reserves, of saving money, of doing those kinds of responsible things.

I would hope the member for Crescentwood functions more along those lines in his own personal life, that he prepares himself for rainy days and hard times or unforeseen issues that might have to be dealt with and works toward establishing savings accounts and reserves. Again, I think, most citizens can identify with that kind of a concept. Our government can certainly identify with it, and I think today we are seeing more governments identifying with that kind of a principle.

Mr. Chairman, I just wanted to clarify some of the revisionist versions of 1988 that members of the NDP seem to have continually.

Mr. Sale: Mr. Chairperson, I think that revisionist debates are probably not productive in the long run, but I would remind the minister that it was a Devine event in Saskatchewan that racked up the worst of all records in Canada and that I think last time I checked there was also a cabinet minister in jail out of that regime. So I do not think we should get into invidious comparisons.

Indeed, I have prepared myself personally for tough Tory times. They always are, and so, yes, I think my family and I will survive this regime just like we survived the Sterling Lyon regime.

Let me go on, Mr. Chairperson.

An Honourable Member: Which one of those regimes were you working for?

Mr. Sale: I was working for the Social Planning Council of Winnipeg from 1976 to 1985.

Mr. Chairperson, in Note 11 on page 1-23 of Volume 1, Public Accounts, there is discussion of the unfunded pension liability. The minister and the Provincial Auditor will know that during the Pawley administration steps were taken to deal with some of the unfunded pension liability questions in an orderly manner. We recognized that we had not by any means dealt with the whole picture and that it is a very substantial and important issue for I think most governments in Canada, although there are a few that are in a better situation than we are, I believe.

I wonder if the Auditor could walk us through that pension liability note and situation for the year in question, and whether she could shed some light on how Manitoba is doing in regard to this very important issue.

* (1100)

Ms. Bellringer: Well, I certainly do not mind doing that. I mean, they are the government's statements. I am just a little uncomfortable walking through their notes, but I do not mind doing that. I am not really sure what we are looking for. The government is paying pension costs on a pay-as-you-go basis. The amount that is included within the results of the province for

the year is what was required to be paid out to already retired employees.

What accountants like to see is that you record the liability at the time that the employee is working, at the time that the service is being delivered. So you accrue it. You connect the cost associated with their benefits to the period during which they are working.

Actuaries do calculations as to what will likely be paid out under what is, in the case of the Superannuation Fund and the teachers, called a defined benefit pension plan. The benefit is fixed and the amount that will be required to be put into there over the years in order to ensure that they will get that fixed benefit is calculated by an actuary.

The amount that is the employee's share is paid in during the course of the employee's work life, and that is put into a fund. The other half is what the government is putting in, and it is paid in as the employee is retired and then they are paid at that time. The note is going through what is called an unfunded liability. The amount that is not recorded in the accounts that relates to work that employees previously put into the system, and that is the amount we carry forward into the qualification.

Mr. Maloway: Mr. Chairperson, I would like to ask a question or two of the Provincial Auditor.

There is some evidence, I believe, of mismanagement on the part of this government and bungling on the part of this government as far as the collection of the sales tax is concerned, and I wanted to draw the Auditor's attention to a report that was done by the Provincial Auditor in 1989 indicating that a review indicated a lack of effective management practices, and there was a recognition that there had to be some steps taken to improve the manner of collection of sales tax arrears in the department. I would like to ask the Provincial Auditor whether she is happy with the current state of collection of sales taxes in the department.

Ms. Bellringer: To the extent that we have done any audit work in there while we were auditing the Public Accounts, we have not had any problems, but we have not conducted a broader scope audit, if you will, to the extent that we did in '89.

Mr. Maloway: Mr. Chairperson, is there any consideration given to taking a further look at this ongoing problem, because observations were made by the Provincial Auditor as far back as 1989? It does not appear as though any of these practices have been cleaned up. The arrears are still a problem. Companies are getting away with ignoring the department's collection practices and simply not remitting their sales taxes in a timely manner.

Mr. Bellringer: We are considering follow-up audits for some of the more significant reports that we have done in the past. Rather than just getting a superficial answer to those, we feel it is necessary to, in effect, go in and do another audit, to do the follow-up. We do not have that in process at the moment, potentially for the fiscal year '96-97.

Mr. Stefanson: Mr. Chairman, the member for Elmwood (Mr. Maloway) has certainly brought up this topic before. He brought it up in Question Period, and, again, I think he does not do a service to anybody, leaving an incorrect impression that Manitoba fares very well, in a relative sense, across Canada in terms of our collections. When we do the comparisons with other provinces, we stack up very well. That is not to suggest that we cannot continue to work and strive for improvements, because I believe that everybody who owes money to the government of Manitoba should pay that, but, when you are dealing with \$700 million of transactions for retail sales tax and so on, the reality is, there are going to be occasions when you end up not collecting that account.

At the same time, I think one also has to be cognizant of the fact that sometimes businesses have to get through a very short period of difficulty, and it is certainly not our objective or it is not the objective of people who work in the Finance department to put people out of business if there can be a way of ensuring they can get through their difficult time and pay the government the money that is due and continue to function and prosper and create employment and other opportunities here in our province.

I think it is important that these kinds of things are put in perspective. I do not think the member for Elmwood does a service to this entire issue by attempting to exaggerate how Manitoba compares.

I guess, just while I am speaking, I did not get a chance to respond to the final comment to the member for Crescentwood (Mr. Sale) on the whole issue of pension liability, and he made some comments about the ongoing progress being made in this area during the NDP years. I just checked with my officials who suggest that is absolutely incorrect. There was no progress or no adjustments or no improvements made to the handling of pensions during the NDP years. The approach was exactly the same as we are following today. So, once again, let us put accurate information on the record.

Mr. Maloway: Mr. Chairman, the minister is clearly covering up serious problems in his department. I draw his attention to the fact that Clancy's Ventures Ltd., which was a restaurant group that went into receivership and bankruptcy a couple of years ago, is still an active account in his department, and they currently owe \$446,000 in unpaid sales tax. I have asked before, how is it and why is it that businesses are allowed to get so far behind? I can understand businesses being in some bit of arrears. I can understand the department losing \$5,000 or \$10,000 here or there and having to write it off, but how is it that a company is allowed to get \$466,000 behind? It is a simple question, and this department has not been able to answer this question after successive attempts. I would like the matter looked into. I would like some answers, and I would like some corrections made in the department's practices.

Mr. Stefanson: Mr. Chairman, I am not at liberty to discuss details around a particular business. I have told this member before that I have looked into that particular account, and I am satisfied the department did everything they possibly could around the collecting of the amounts owing.

There are many ways that amounts owing come to light. Often it is through audits. It is not necessarily that an account is filing their remittance form every month and not paying their bills. Many firms might still file a remittance, but, at the end of the day, when an audit is performed, it is determined that they have underremitted. Depending on their fiscal state at that particular point in time, it has an impact on whether we can collect the amount due.

So it is not as simple as to say that people are filing their returns and not paying their accounts. Sometimes these kinds of issues, outstanding balances come to light in a whole range of different ways. It is not a case of purely an arrears where we are not following up on people who are getting into arrears. Often uncollectible accounts come to light as the result of an audit and then, depending on what happens to that firm, whether they do go into bankruptcy or so on, we still obviously book what they owe the government, attempt to collect it, but if they have gone into bankruptcy, there is no cash and there are no assets to act upon, obviously you then have no way of recouping what is due the government.

* (1110)

So again, I think it is important that you understand how receivables sometimes come to be, and it is not as simple as saying that people are filing their accounts and not paying their bills. There is an awful lot more to it than that simplistic approach.

Mr. Sale: There is a line in the Lotteries account that shows the accumulating surplus in that account, and I am having trouble, frankly, finding it—too many pieces of paper here.

Perhaps the minister or the Auditor would be able to refer me to the appropriate line. It shows the year by year. I think it is in Volume 1, but I am not sure where.

Ms. Bellringer: Perhaps 2-8, the Trust Fund balance. Mr. Sale I believe is still in '93, Volume 1.

Mr. Sale: Mr. Chairperson, I was looking in Volume 2 for 2-8, but of course it is Section 2 of Volume 1. I apologize for my confusion.

Under the Lottery Foundation and Other Proceeds, we see that by the end of 1993 there was a balance in that account of approximately \$102 million. Could the Auditor comment on the question of that balance and whether the revenues of a given year in excess of expenditures should have been shown perhaps in a more transparent way in the Operating Fund of the province?

Ms. Bellringer: Yes, that is an accumulating balance. We did a report last year—now I am mixing years up and getting into '94-95. In our Volume 1 of our report we did a report specifically on Lotteries and we did make the recommendation that even for Volume 1 that that amount be brought in on a current basis, that in the year it is earned it be shown as revenues of the province in that year.

Mr. Sale: Mr. Chairperson, now, I think all Manitobans are aware, Mr. Minister, that in this year's budget you essentially collapsed that Trust Fund all in one year and brought it into revenue and attempted to let Manitobans believe that this was somehow normal operating income for the year as opposed to an accumulated lottery sock in which money had been set aside for a number of years precisely with this event in mind, that we would have a nicely balanced or substantially improving budget at least.

Unfortunately for the government, both Canada West Foundation and the Dominion Bond Rating Service made it abundantly clear that these were transfers from prior years' operations and that they could not be reasonably considered to be current income for the purpose of this budget.

I would be interested in the Auditor's comments or the minister's or both with regard to the inappropriateness of collapsing the fund in one year without making it very clear that most of this money was prior years' operation. By the end of '92-93 there was \$102 million there.

Mr. Stefanson: Once again the member for Crescentwood, it is interesting, his approach, uses words like "attempted to let Manitobans believe" normal operating income. If he were to look at the '95-96 budget it is perfectly clear in the document that the amount is shown as a one-time-only draw.

It is shown as a separate line item in the budget, Special Lotteries draw of \$145 million. It was discussed at length during the presentation of our budget. It was discussed with the media publicly after that this was a one-time draw, that the money had accumulated in the trust account and was being utilized because we had the opportunity to balance our budget one year earlier.

Again, if he recalls the discussions taking place at that time or followed any of the media coverage, we did indicate that, having gone through extensive budget consultations, we did have the opportunity to balance one year earlier, and it made sense to do that. By balancing a year earlier, we have stopped adding to the general purpose debt in Manitoba. Obviously, that decreases the amount of debt-servicing cost that would be required. I think the estimates were as much as \$9 million or \$10 million for each and every year from this year forward by bringing that money across one year earlier.

We did indicate that we are prepared to accept the recommendation of the Provincial Auditor, and starting with our 1996 budget to bring forward the income from the Manitoba Lotteries Corporation on an annual basis. Again, if he looks at our 1995 budget, he will see in our medium-term projection that goes forward for three years beyond the current year that we are showing annual income in that document, which was the best estimate at the time, of \$220 million each and every year from Lotteries. So that income will be coming into the general revenue of government starting in the 1996 budget.

Finally, the comment about the Dominion Bond Rating Agency—we attempted to educate the opposition, shared information with them, shared letters that the Dominion Bond Rating Agency themselves have sent us. For some reason they continue to turn a blind eye or refuse to accept what the Dominion Bond Rating Agency themselves are saying, and I will, once again, gladly forward that letter to the member for Crescentwood (Mr. Sale) where they say they do not in any way take exception with the fact that we do and will project a \$48-million surplus in the upcoming year. All that they do, and it is something that accountants and auditors do, is when they look at comparability across Canada, they look at one-time-only transactions, whether it is a draw from a trust account, whether it is a sale of an asset or a Crown corporation or any of those kinds of things, to try and have comparability when they are doing their comparison of provinces.

That is all that Dominion Bond Rating Agency did in terms of the '95-96 budget, but they acknowledged that at the end of this year we will have a surplus, and the

good news for Manitobans is for 1995-96 not one penny will be added to the debt, the general purpose debt, the tax-supported debt, as a result of this particular budget. Again, the member for Crescentwood (Mr. Sale) knows our commitment to continue to run surpluses from this day forward, and we are prepared to back it up with legislation. I know that is a discussion for another day when we are in committee with our legislation, but again I do take exception to some of the words and how he attempts to portray some of these things when that issue was made abundantly clear in our budget document during our budget speech, in all discussions after, in the briefing with the media extensively, everywhere. That was perfectly clear where that money came from, why it was being used at this particular point in time, Mr. Chairman.

Mr. Sale: Mr. Chairperson, the minister knows, I think full well, that the only reason that this transfer became suddenly politically required was that there was substantial public outcry when after our work in the fall of 1994 it became clear that there was a large accumulated surplus in the Lotteries fund and it was growing at an astronomical rate. At the same time that this government was cutting health care, cutting education, cutting social services, harassing people on social assistance, taking other right-wing measures to make life difficult for ordinary Manitobans, it was piling up money in a lottery sock, and that lottery sock was, I think, known through Public Accounts, but only to those who take the time to try and dig through them. Nor was the substantial increase in the surplus known at all at that point until it was dug out during the fall of 1994.

So the government took the opportunity to make a one-time transfer which it did disclose. The minister is correct, it did disclose that, but to claim that is a balanced budget is to twist language. No family that draws down its savings would try to tell itself or its neighbours that it had a balanced income in a given year. It would say in a very straightforward manner, we went to the bank and we drew down some savings. We went somewhere else and we borrowed some money. We would not attempt to say that we had earned in a given year all the money we had borrowed or all the money we had withdrawn from an RRSP or

a savings account. We would recognize that our income in that year was less than our expenditures, and we had met our deficiency by drawing down our savings. We would not call that a balanced budget.

* (1120)

That would be, I think, something that no family would ever attempt to suggest to itself unless, of course, it was in the business of fooling itself or attempting to fool someone else. So to suggest that a one-time transfer creates a balanced budget is to twist language so that it cannot be reasonably understood. What it does, Mr. Chairperson, is allow the government to not make additional loans for the purpose of a general Operating Fund of government, the general purpose debt. That is transparently an accounting issue because had it made the loan, it would have had an offsetting asset in the form of a fund that had not been drawn down. So it is financial—well, wizardry perhaps is the wrong word. It is a financial measure designed to allow people to believe something which is not the case. That is, that in the normal understandable sense of balance there was no balance here.

There was a year in which there was an opportunity to use up some saving to create the appearance of balance. If the minister insists on continuing to use the term "balanced budget" to mean a year in which the normal operating expenditures of government are not offset by the normal operating revenue of government, then I do not know how we can expect to have Manitobans understand the financial statements of this government. That is not, in any sense, a balanced budget.

Mr. Stefanson: Mr. Chairman, it is interesting. The member for Crescentwood talks about digging out this information in the fall of 1994, and I guess by that comment he is obviously reflecting on some of the people he is now sitting with in the Legislature, because he himself just looked at the March 31, 1993, Public Accounts which were tabled in the fall of 1993 that show \$102 million in the lottery trust account.

Again, this information was available and has always been available in terms of showing the performance in this account, and certainly should not have required the

so-called digging out, which was not the case anyway of him or his colleagues in the fall of 1994. It is obviously a reflection on how seriously they take these documents or how much review they do of these documents to take a full year to realize that there was \$102 million in the lottery trust account.

I want to remind him that the approach utilized to date by Manitoba with the lottery trust account is not uncommon in Canada. It is utilized by Alberta; it is utilized by Saskatchewan, for sure, and possibly by some other provinces. Certainly, those two provinces utilize a very similar approach in terms of establishing a lottery trust account and in drawing from that kind of account into their general revenues each and every year. As I mentioned to him, I think for Manitobans the single and most important thing is that at the end of the year there will be \$48 million of more money in the bank. That means no adding to the provincial debt in Manitoba, no running of deficits here in our province.

I think his comment about fooling itself—I think the important thing to recognize here is, as we have said consistently, that we did this one year earlier by being able to utilize the lottery trust account. The fact is that we believe that deficits can be eliminated from this day forward. We are prepared to back that up with the most comprehensive legislation probably in all of North America. So the important point in all of this is to be able to do that one year earlier was very important to our ultimate debt-servicing cost, to our ultimate budgets, and so on. The fact that we are able to and are committed to sustain from this day forward is the single most important message in all of this. So again I take exception to the kinds of words he likes to use—fooling itself and those kinds of things.

We had an opportunity to do it one year earlier; we are committed to sustaining it. We believe that we can sustain balanced budgets from this day forward. We are prepared to back that up again. I know that it is something that is hard for members of the NDP to even begin to identify with or acknowledge or recognize, but it was very important, we believe, to Manitobans to be able to do this one year earlier.

Finally, Mr. Chairman, the other important element here is that when we do get into the public review of

the balanced budget legislation, one important element of that legislation is the establishment and continuation of the Fiscal Stabilization account to deal with any pressures that the government might face at any particular point in time. As we have indicated, we have a target of 5 percent of our revenues to go into the Fiscal Stabilization account, and I would anticipate the surplus generated by the 1995-96 will go into that account along with the money that is all ready there to allow that kind of flexibility in the years ahead.

Mr. Sale: I want to go on to the note on page 1-22 in regard to contingencies that the government faces in terms of a variety of items. I understand from the most current report of the Manitoba Development Corporation that there have been no material developments in Flyer Industries that would suggest that we are likely liable for anything like that amount. My question to the minister, I think the amounts disbursed under that loan have been very minor, and there is no anticipation of this. How long does the minister expect to have to maintain the liability of \$30 million? When will that be clear of the books, Mr. Chairperson?

Mr. Stefanson: Mr. Chairman, I will give a general answer, and I will certainly provide more specifics subsequent to this meeting, but the majority of that guarantee, if I recall correctly, relates to the whole issue of performance bonds. We have not been providing any additional performance bonds to New Flyer. They have been fulfilling their contracts and their commitments. So those performance bonds have been dropping off and, I know, are on a schedule to drop off fairly shortly, if not already.

The member is correct that either all or most of that will be eliminated fairly soon, other than a separate loan guarantee that was entered into during some of their transition of \$10 million, which is still outstanding. So there has been significant improvement. I believe New Flyer continues to do quite well with contracts in San Francisco and elsewhere in the United States and so on, and their employment levels continue to be at a very reasonable level. So that liability is, from our perspective, obviously continuing to go down, and significant improvements are being made in terms of our exposure.

In terms of the timing, the specifics of when some of these will be dropping off and so on, I can certainly undertake to provide more detail, but, I guess, in a general sense, we are very pleased with the improvement there, and that liability is continuing to decrease.

* (1130)

Mr. Sale: I thank the minister, Mr. Chairperson, for his undertaking to provide us with a little more detail on that specific one. I would also want to just note for the record that Flyer was, of course, one of the corporations that we struggled very hard to maintain and to save through an agency called the Manitoba Development Corporation and governments of the day making it possible to maintain a company which clearly needed a new home and needed the strong management that the current company is bringing to it. This, I think, is one of those very good examples of why government sometimes has a role of sustaining investment in a sector in order that there can be better opportunities at the end of the day.

The many hundreds of people employed at Flyer and the fact that those of us who have had an opportunity to travel elsewhere in Canada and elsewhere in North America frequently find ourselves getting on a Flyer bus is testimony to the wisdom of sometimes running a deficit in order to produce a benefit at the end of the day. The long-term investment perspective is one which, I think, we absolutely must maintain in the public sector. The short-term emphasis on balancing at any cost including presumably the cost of letting a company like Flyer go instead of struggling with it to find an appropriate home is not an approach that our party would want to support.

I would like to ask a second question in regard to the contingency disclosures. The interim operating agreement with the Winnipeg Jets began in 1990—well, it was signed in 1991-92, I believe, just at the beginning of '92 is when the actual legal work was put in place, I believe. The Auditor last year provided some estimates in regard to losses. I wonder if the Auditor could bring us up to date in regard to the note on page 1-22 and let us know where she is in her investigations in regard to the Winnipeg Jets.

Ms. Bellringer: With regard to the note, the note is updated every year as the Public Accounts are prepared. We have completed our audit with respect to that, so that will be included in those Public Accounts.

In terms of other work, as you are aware there have been some developments at the city where they have asked me—not officially I might add—to look into the Jets, and I have been in contact with the city auditor to see what is happening with that. The Minister of Finance and I have had some discussions about that as well.

My position on it is clearly there should be a complete accounting for the public monies for all of the province's funds and where did they go. There are some complications with that in terms of what constitutes public funds and at what point are they dispersed. I would suggest the most complicated is the funding of the net operating losses themselves.

Does that mean there needs to be disclosure of the full set of financial statements for the Jets? I would suggest not, but on the other hand without that it will leave questions unanswered. There is a guarantee for the Jets private sector fund notes, and while we have not had to honour any aspect of that guarantee, monies have gone from that fund to various places, and does there need to be an accounting for those funds? In that case I would suggest, yes, because although the money is going and is coming from the private sector, it is highly likely governments are going to have to honour the guarantees on those notes as the conditions stand today. So that we would be looking for accounting on, and we can audit those amounts.

There is a smaller amount for the interim steering committee, which is a couple of hundred thousand dollars a year of costs associated with that, which we are paying directly at both the provincial and the city levels. Those, I believe, also should be disclosed in terms of the accounting.

What I would look to is if these amounts are provided, that we would audit them to give assurance the listing being provided by the government is complete and accurate.

Mr. Sale: I would like the Auditor to describe in a little more detail the difficulties which she faces in this particular situation. Here we have a situation where funds from three levels of government have been allocated for a variety of purposes, sometimes as in the case of the demolition of the Hydro buildings. It is relatively clear the entire cost of that operation came from the City of Winnipeg, at least that is my current understanding of that.

On the other hand, fees paid to, for example, Mr. Osler for the better part of the last year for his work in regard to marketing and other functions, his role as president of DS-Lea, the consulting firm that did the environmental audit, clearly will not be nearly so easy to make plain, because the funds that are going into pay those fees came in some cases from two levels of government, perhaps in some cases from all three levels of government, the teasing apart of which went where is going to be a very difficult issue.

I wonder if the Provincial Auditor has given thought to formal collaboration with the city auditor in order to provide an integrated statement with as much detail as possible about the teasing apart where it is feasible to do so, but a recognition that in some cases it is simply not going to be possible to allocate all of the expenditures. Perhaps the minister can tell me that indeed we will be able to allocate every single expenditure without such formal collaboration, but I would like to ask the Auditor first, before the minister responds, whether it is reasonable that she would work in a formal manner with the City of Winnipeg auditor in order to delve into this difficult question?

Mr. Stefanson: Mr. Chairman, again, as I think the member for Crescentwood knows, we have indicated that Spirit and MEC are preparing a complete accounting disclosure statement of utilization of all of the funds they have received from the province of Manitoba, the federal government, the City of Winnipeg and the private sector. I do expect that to be completed very soon, although there still might be some elements of some estimates if there are still some accounts that they are waiting finalization on, and so that is expected very soon. They also, Spirit, have independent auditors doing an audit of their books, I believe the auditing firm of Price Waterhouse, although

I could be incorrect but they do have a professional accounting firm auditing their books.

I have had a discussion with our Provincial Auditor, that once that full accounting is provided and we have the independent auditor's report, we would want her to do an audit on our behalf. We have had some preliminary discussion that it does not make any sense for the City of Winnipeg to send in their auditor to be auditing us to send in ours. I am not sure if the federal government, if they would want to have their auditor going in and so on. Our preliminary discussions have been on the basis of some kind of co-ordination and co-operation on which the Provincial Auditor can speak for herself, but our discussion certainly was that should be something that is very achievable and reasonable. It does not make sense to have overlap and duplication, all of us incurring costs, and I would hate to say, auditors tripping over each other, but too many auditors, if that is possible.

So we expect co-operation with the other levels of government and I am sure the Provincial Auditor has some additional comments.

Ms. Bellringer: Just to clarify, and I say this not just with respect to the Jets, but any time that we are looking at something where there is funding from various levels of government or various other sources, where they are intertwined, we are not really concerned about teasing them apart.

If they are all going into a general fund, for example, we would look for the accounting for that entire fund. What we end up having to be cautious of is if there are any kind of confidentiality agreements in certain situations. That is not the case here.

We are looking at it and saying, if there is a particular thing like the Jets private sector fund where you cannot attribute certain expenses to the province and certain to the city and so on, we are just looking at the full accounting over the entire fund.

In terms of how we have worked with the city auditor, we are trying to avoid any duplication. I would suggest they are trying to rely on us so that we can do the audit and they can just say it has been done,

which does not concern me too much. They do not do a lot of financial statement audit work anymore in the city auditor's office itself. It is more from a staffing and practicality perspective than anything else.

The only concern I have with the financial statement audits that we will see is they are likely not going to give the level of detail that I believe is being anticipated or expected in this case. I do not know anything about this. It is merely a comparison of normal financial statement disclosures at a fairly high level.

For example, in a statement you might know that somebody has travelled, but you do not know if they have travelled business class or everybody has gone business class to Tokyo. It is that kind of thing that I think there is more detail required in this case than a normal financial statement audit will normally and legitimately provide, and the discussions have been around that to ensure the disclosure is adequate by the end of the day.

Mr. Sale: Our Provincial Auditor is much too surefooted to trip over anybody else and I am not concerned about that. I would like, for the record, to note though that I believe she is saying that there will be formal collaboration on this issue with the City of Winnipeg, and that both jurisdictions are going to fully co-operate with each other in order to ensure that the level of disclosure is at the maximum possible level given the concerns and considerations that she has already noted.

Is it fair, Mr. Chairperson, for me to assume that this is formal collaboration?

Ms. Bellringer: I guess it depends how you define "formal." I guess the most formal would be legislation. Clearly the city cannot ask our office to do anything in an official way. It is formal in the sense that the city auditor and I will be comparing notes before either of us proceed with the audit so that we are not tripping over each other or duplicating any effort.

* (1140)

Mr. Stefanson: Mr. Chairman, I know the Executive Policy Committee of City Council passed a resolution.

I am not sure if it has been to council yet. I think they have a council meeting coming up shortly that requested co-operation between the Provincial Auditor and the city auditor to do an audit of Spirit, of MEC, of the interim agreement by March 31, 1996.

It is certainly my expectation that it can be done much sooner than that. As I have already indicated, I expect a disclosure statement from Spirit sometime very soon and I expect that disclosure statement to have more detail from what I have been told than the, as the Auditor says, high level and traditional financial statements that will just show you three or four categories of administration or finance or marketing or those kinds of things. I expect greater detail in that statement, obviously, subsequently in terms of the review done by our own Auditor, greater detail as well in terms of some of the individual transactions.

I am not sure we are at the stage of formalizing anything, but we have certainly indicated our Provincial Auditor will be examining the entire issue and the expenditures, and that it only makes sense to have co-operation. I think there appears to be, if council passes that resolution and based on what we are saying, interest in both parties to have co-operation. I am not sure that has to be formalized in any sense but certainly has to be co-ordinated between the two offices.

Mr. Sale: Mr. Chairperson, I wonder if both the minister and the Auditor might respond to this question. You have had to work on the Jets question in each of your financial years and the one we are considering now and in each year since, and obviously it will go on for another year after this one because some of the disbursements, no doubt, will slop over into '96-97, when we have the operating losses, since the Jets fiscal period ends in June and ours ends in March. It seems at least likely that this will be before us for some time to come. Are you satisfied that you have had the fullest co-operation from Mr. Benson and officials of Treasury Board? As you have asked for information have you received the information that you have requested in a timely and co-operative manner?

Ms. Bellringer: We did not need that much this year. I mean, from the perspective of, was it timely and co-

operative? Certainly this year the difficulty was that some of the information we were looking for now but did not need with regard to doing the audit of the financial statements was not available yet, for example, the audited financial statements of the Jets themselves. We have left it on a pending file as something we still want to look at, but it has not been an issue of not receiving co-operation.

It has just been that we have had to go through some formalities to make sure that we were both available at the same time, but we have just done it in a very formal way and put everything in writing, and meetings were set up and everyone was available when they needed to be, so the more detailed questions we have not yet asked.

Mr. Sale: Mr. Chairperson, would the Minister of Finance give the committee his unequivocal assurance that he has instructed Mr. Benson to make himself available and to make available all information in the form requested by the Provincial Auditor to ensure that this audit goes forward in a timely fashion and with complete disclosure?

Mr. Stefanson: Mr. Chairman, the member for Crescentwood heard the Provincial Auditor, herself, who just said that there has been no problem getting information, no problem with co-operation, sometimes there is a timing issue. As the member for Crescentwood acknowledged, the year end of the Jets is June 30. They get their own audit done. They, technically, can take up to six months depending on when they are filing their returns and those kinds of things, so those are issues that are not within our complete control sometimes in terms of getting the information, but that has nothing to do with co-operation.

I have indicated here today what our intention is, not only from Mr. Benson or officials, it is my intention that there will be complete and total co-operation and openness in terms of providing information to the Auditor on this issue, not unlike any other issue.

Mr. Sale: Would the minister and the Auditor give us a best guess? Obviously, I am not asking for commitment in stone because that is not possible for

the reasons we have all agreed that there are timing issues here. The minister indicates that he expects to have the audit well before March of 1996. He expects to receive a disclosure statement from Spirit sometime in the near future. Could the minister put a little clearer time on that expectation?

The reason I am asking quite clearly is that we have had a long discussion here this morning about process. We have made a commitment to pass these accounts today, but we expect that the minister will facilitate in very short order a meeting so that we can get on to the next year's set of accounts and get through those so that we can have the kind of discussion that makes for public confidence in the public accounts process. When might we expect, on your best estimate to have more substantive information on this issue both from the Auditor and from the minister, if I may?

Mr. Stefanson: Mr. Chairman, it is really difficult to answer, although I would agree that I think the objective of everybody is to get this information compiled, released and audited as soon as possible. I do not think it is in anybody's best interest that the information is not made available, is not made public so that people can do their own assessment of the utilization of the dollars and so on and so forth.

I think in terms of the current owners, in terms of ourselves, in terms of everybody involved in the process, that is our objective. That has certainly been my request and so on to Spirit. The first step is to get their disclosure statement. The next step is their own audit by Price Waterhouse, and the next step is the auditing being done by our Auditor and possibly the City of Winnipeg auditor.

As I said to you, the City of Winnipeg said March. From everything I know about how soon that information should be available in auditing, I do not think it should take anywhere near that long. I am not sure how much time the Provincial Auditor would require, but I would hope that the information for her to start her process is available in the next few weeks, but, you know, I can only push so hard to get that information and then we move to the next step. Once the Provincial Auditor is in, she might be able to give us an indication of how much time she requires.

Ms. Bellringer: I confess that Mr. Sale has hit my Achilles' heel on this one. This is the one aspect of it I really do not have a clean answer to is the date. Certainly, it will not take us long from start to finish, and we can start anytime, but it is awkward. There is no reason for it to be anywhere close to March '96. That is way too late. I do not understand why the information would not be available a lot sooner than that. We are probably talking about, maximum, a week of audit time looking at records. A maximum. There is often some duration issues in terms of it will take a week and we may be waiting for some outstanding items to be cleared, but it would not take that long.

When it can start I do not know. We have not been in detailed discussions as to what the status of those individual audits are. So I just do not know.

Mr. Sale: Mr. Chairperson, I thank the Auditor for that frank answer, and I sympathize with her in the difficulty. This goes back to the question that I just referred to earlier. We need to schedule future meetings of this committee, and I hope that the minister will at least today at the close of the meeting indicate his willingness to schedule at least one more meeting and then refer the issue of ongoing regular meetings to the House leaders. That is a perfectly good suggestion.

We would like to ask you to attempt to come up with a timetable and to ask the minister to use his best efforts to push the parties into a timetable that the Auditor feels is feasible and reasonable, not an onerous timetable but a reasonable timetable that gets this information public. So, if I may make that request, Mr. Chairperson, that we have that kind of a timetable.

* (1150)

Mr. Stefanson: Well, Mr. Chairman, I have indicated that we are encouraging and pushing to get that information out as soon as possible, and I do expect the first stage of information in terms of the detail very shortly. With that interim step of their own audit, it is encouraging to hear the Provincial Auditor that she might require one or two weeks. So I can only reiterate that I do not expect this to take a long period of time. I expect it all to happen over the next several weeks, and it is certainly our objective to do just that to make all of that information public.

In terms of future meetings of this committee, I think I have shown a willingness to co-operate in terms of trying to schedule meetings. I am not sure, sitting here today, what my schedule is over the next several weeks, and I still leave it to the judgment of the House leaders. Certainly, my approach has been to attempt to get here a few times certainly and to give the opportunity for full discussion. I know this will be one issue that we will want to discuss in further detail, particularly once we have the Auditor's report on it.

Mr. Sale: I wonder if the minister would then also take under advisement or request from us to, as I asked earlier, have Mr. Benson at the table the next time we meet so that we might have a discussion that involved him in terms of his key role in this overall process. I think, as the Premier (Mr. Filmon) has said, he provided a watching brief on this process for some time. I think he and Mr. Bessey were both involved, but latterly, I believe, Mr. Benson. I think the minister in Estimates indicated Mr. Benson was more involved over the more recent period of time, and the Premier has made a very strong statement that he was not there. He was not present, that Mr. Benson was and that therefore I think it would be very helpful to the committee to have some insight into what transpired, and Mr. Benson is in a position to shed that light.

Mr. Stefanson: Mr. Chairman, how we are functioning here today is how this committee has functioned ever since I have been elected an MLA, and I am sure very similar to probably what functioned under previous governments. So, again, I know a recommendation of the Auditor has been to broaden the scope to include other representatives for various issues that we might be dealing with. I think that is all part of a comprehensive package, and I come back to what I said before. If we are looking at meaningful reform and improvement of this committee, there is a series of issues that need to be addressed, and it goes back to agendas, it goes back to questions in writing, it goes back to all of those kinds of things as a comprehensive basis.

Mr. Benson reports to me. Ultimately, I am accountable. I know the issue, and I can certainly answer any questions that you might have relative to the goings-on, or to Mr. Benson's role in this entire

Winnipeg Jets issue or any other issue, so I do not need him sitting here at the table. I can answer any questions that you might have, and I know there was some confusion portrayed yesterday as to what role he might have played with a document that was tabled by the Leader of the Opposition (Mr. Doer). He, not unlike the Premier or myself, never saw the document. I did not see this document until yesterday, nor did the Premier; and Mr. Benson, I do not believe, has seen it yet.

In terms of his role with the Winnipeg Jets, I know the members of the opposition are interested in what role he was playing during the election and so on. There was only contact made with Mr. Benson once, and that was a few days before the election. It was requesting a meeting with myself if we were government or indicating they wanted to meet whoever the government was the day after the election on April 26. Plain and simple, and you saw the comments made today by people from MEC, people from the federal government and so on, and I think all of that substantiates everything that we said yesterday and so on, but if you have particular questions about Mr. Benson or his activity or the issue, I can certainly answer them for you. Or, if I cannot answer them here today, I can certainly provide the answer on short notice.

Mr. Sale: I thank the minister for his response, and I look forward to some of those questions being answered at a future meeting of the committee when we are discussing more current accounts.

I would like, though, before I go back to some of the unfunded liability questions which do not involve the Jets. I would like the minister to shed some light on the issue of the \$5-million deposit. The government forwarded \$5-million payment to Thompson Dorfman Sweatman to be held in trust pursuant to the agreement to purchase the Jets. Under that agreement, my reading at least of that agreement is that if the deal failed to be closed for reasons of the Spirit's inability to close, interest would not be refundable. If the deal failed because the NHL said no to it, then interest would be refundable. But I think there is very little question that the interest is at least in dispute. The Premier has agreed that there is a dispute in this issue and that he

expects it to be resolved in the province's favour, and I believe the Finance minister has made a similar statement. But I think it is clear there is a dispute. That is not at issue.

I would like to know, Mr. Chairperson, under what authority did the minister advance \$5 million for this purpose, and under what authority was the \$5-million interest put at risk by the province?

Mr. Stefanson: Mr. Chairman, as I have indicated, we are having discussions with the current private-sector owners of the Jets along with Spirit about the timing of the refunding of the \$5 million. There is absolutely no doubt that the \$5 million will be refunded. The issue is how soon and whether or not with interest, and there are various interpretations of the agreement at this particular point in time: the role that NHL approval had in terms of not proceeding; the role of not raising additional funding, and so on. But, based on the discussions that I have been brought up to speed on, it is my clear expectation that that money will be refunded shortly and that it will be refunded with interest.

In terms of the authority, the authority that I had to advance those funds was Section 43.1 of The Financial Administration Act. Again, it was done on the basis of knowing that the \$5 million, under various scenarios, is fully refundable to the government of Manitoba.

* (1200)

Mr. Sale: I note that the minister has confirmed that there is a dispute and that the question of the refundability of the interest is indeed a question in dispute and that the position therefore that we have advanced on this issue is in fact confirmed, that the question of interest is not a foregone conclusion and that there is every reason to believe the agreement did not anticipate the return of interest should the proposed buyers fail to close.

As the minister knows, that is a common clause in many purchase agreements in which in return for the right of option or in return for the right of tying up an asset for a period of time, those who tie it up with a proposal to purchase it have to make some kind of

reasonable compensation available to the owner of the asset, in this case Mr. Shenkarow and his partners. Their reasonable compensation was, if you do not do your job, if you do not do what you say you are going to do, then, yes, we will return your down payment. Of course, we will return it when we sell the team, but we will not return it with interest. If, however, the National Hockey League says no to the transfer, that perhaps was not in your control, so you should not be penalized for that, so we will return it with interest under that condition.

Mr. Chairperson, I think the minister knows that no application was ever made to the National Hockey League for transfer. At most, there were initial briefings, some exchange of information which the National Hockey League said repeatedly was inadequate. The National Hockey League took the position in a letter from Mr. Bettman in early August, which actually has not ever been made public but of which we have a copy, that says that they were \$14 million aggressive on their proposals, so no application for transfer of the franchise was ever made, and the NHL never had a board of governors meeting at which it was turned down.

I welcome the Finance minister's clarification that indeed there is a dispute here. I would simply say that I do not think there is much of a dispute. I think it is pretty clear that if the deposit is returned with interest it will be by the grace of the current owners and not under any requirement. I would suggest that the Minister of Finance had no reasonable right on the part of the people of Manitoba to advance \$5 million to the purchase of an asset where there was a very, very clear risk that the interest on that money would not come back and that anyone with any sort of diligence in reviewing the state of the Spirit situation would have concluded that this was a very risky investment indeed.

Mr. Chairperson, when an organization in the private sector proposes to raise \$111 million and is only at best ever to raise about \$40 million or \$45 million, of which only about \$3 million was ever in firm form in cash, then it seems to me that it does not take a financial wizard to figure out that this is a risky proposition and that helping them to stay alive by throwing them a \$5-million lifeline is not perhaps the most prudent decision

that this Finance minister would ever make. I want him to know that we are very concerned about this question of the prudence of this investment and we will be asking the Auditor to take a look at the prudence of using Section 43.1 for the purpose of making that kind of very risky investment, which obviously has turned out not to be a very good one.

Mr. Stefanson: Mr. Chairman, once again the member for Crescentwood tends to exaggerate the situation. Firstly, I have indicated that there are several issues we are discussing with the current owners of the Winnipeg Jets, of which this is certainly one of them. There is, in terms of our discussions with them, certainly no major dispute at this time around this entire issue, but there are several issues that collectively are being dealt with, as I say, of which this is one. As I have also indicated, we knew under every scenario that the \$5 million would be fully refundable to government and that is in fact the case.

Obviously there are certain things that impact on the current owners, even though the option was not exercised. The option was at a \$32-million purchase price. Based on all indications to date, the current owners will receive significantly more than that purchase price with the opportunity to sell the franchise outside of Canada. As I say, there are many issues, but what is interesting through the whole process is the continual lack of effort on the part of the member for Crescentwood and the opposition to ever attempt to be a part of a solution.

It is always easy to be negative, easy to be a naysayer and the doomsayer and so on, and that has been a role that the member for Crescentwood and the NDP have consistently played on this issue as the community and governments at levels from the federal to the provincial to the municipal to many Manitobans, to many people from the private sector have attempted to find a solution, because they valued what the Winnipeg Jets meant to the economy of Manitoba, to the image of Winnipeg and Manitoba and to the future of our province. So many people put in a lot of time and effort, money, commitment and so on to find a solution. Probably the handful that did not include members of the opposition.

It was interesting last night to hear the Leader of the Opposition (Mr. Doer) speak at length about the spirit

of co-operation and let us work together. I know some of my colleagues were there to hear that speech. It was interesting to hear that speech last night, and one need look back just over the course of the last few weeks or few months, particularly with an issue like this, of this significance to our province and our city, and look at the role that the Leader of the Opposition and the member for Crescentwood and the NDP have played throughout the process, never attempting to find a solution, never attempting to work with the community or work with other levels of government or our government, always trying to derail the initiative to find a solution and continually be negative throughout.

So, as I said to the member before, that \$5 million will be refunded. It was the right thing to do at the time. I expect that it will be refunded with interest, and I assure him not to lose any sleep over the refunding of that money. That money was properly and well handled at the time.

* (1210)

Mr. Sale: Mr. Chairperson, I am glad the minister is not going to lose any sleep over the potential loss of \$400,000 of public funds. That is really interesting to know that.

I just say, not that I want to get into a long debate on this, but I would say that during the election campaign and prior to the election campaign there were a variety of places where those of us who are now MLAs and those who were and are again MLAs proposed alternative positive steps. I refer you simply for one example of that to the attempt to get someone to pay serious attention to the Winnipeg Forum proposal which was on the table for a long time and was a very positive alternative at less than half the cost of the proposal that the government was so frantically backing. So the notion that we have no positive alternatives to offer simply means that the minister has not had time to read the election platform of my party.

I would also say that it is fascinating to me that the minister came into the House yesterday and took some very personal shots in regard to my concerns about the drawdown of aquifers and the rate of drawdown of those aquifers in spite of the fact that his own

government has indicated that they do not have the capacity to monitor the drawdown rate, that they do not have enough test wells and do not have enough staff to do that work.

It is fascinating to me that, when questions of the long-term future sustainability of practices are raised on the opposition benches, that is characterized as a return to the past and doomsaying. When the First Minister (Mr. Filmon) wraps himself in the environmental round table and makes wonderful comments about the province's commitment to sustainability, that is somehow a future-oriented good thing.

I challenge the minister to have a little more intellectual honesty than to be characterizing concerns about the environment as a blast of the past instead of recognizing that all Manitobans, I think, including members of his own cabinet and his own government, are quite frequently quoted as saying that they have deep concern for the viability and sustainability of Manitoba's economy in terms of how it uses its environment. So I would make those observations for the minister.

I would like to go back, Mr. Chairperson, to the question of unfunded liabilities. Could the Auditor just help me understand the statement on page 12 of Volume 3 which is essentially the consolidated operating result statement. I am puzzled about the pension liabilities line. Could you just walk me through the Liabilities section of that statement under Financial Position? What is in each of those headings? Accounts payable is obvious, but what are accrued liabilities, et cetera, and speak particularly, if you would, about the pension liabilities.

Ms. Bellringer: If you do not mind, actually I will start with the pension obligations. Most of the Crowns are either funding and/or recording their pension obligations with the exception of \$113 million which is in the double-starred note, which is why that note is showing there. So there are provisions showing up within a number, particularly the utilities that show them as liabilities.

Mr. Sale: If I may, Mr. Chairperson, is the 113 recorded up under pension liabilities then in the total?

Ms. Bellringer: No, it is not. The 113 relates to one of the utilities that is following, for lack of a better term, private sector accounting practices, generally accepted accounting practices, usually used for organizations that have a business objective, and it is correct that they are not recorded. So they are not carried forward into our qualification or in the note, and we agree with the disclosure. So that if they had been recorded on the same basis as the way we would expect pensions to be recorded for governments, there would be another 113.

Mr. Sale: Mr. Chairperson, is that MPIC?

Ms. Bellringer: No, it is Telephones.

Going through each, I am not really sure what we are looking for here in terms of a description of the other liabilities. Accrued liabilities are just—there are other accounts for which, for example, there would not be invoices received or something like that. It would relate to more general categories. They are grouped together though. So there is no indication of which of the liabilities are payable versus accruals. The long-term debt owing to the province will show up. You will see in the provincial account—because this is the accounts for the Crowns, each of these lines does not get added in when you look at the statement of financial position for the province. So when you see on page 5 loans and advances, a significant portion of the loans and advances sitting on the province's set of statements is the offset, if you will, to the amount owing to the province by the Crowns. So that is what the bulk of that is where it says owing to the province.

Owing to others is external to the province's account. So it is owing to others than the province. It could be anything, but it is long-term debt, then the pension obligations. Future costs of existing claims would be MPIC.

Mr. Sale: Now, if the Auditor could then bring us forward into the pension liabilities issue for the overall consolidation. I am not sure of the page reference.

Ms. Bellringer: On page 26, note 12.

Mr. Sale: Could you, again, walk us through these various items and indicate your view as to whether they

are creating an increasing problem for us, whether the problem is beginning to be managed in an appropriate way? I note that when you look at the financial management system which the minister and the department often use for making comparisons among and between provinces that this is the basis on which FMS data, I think, are done, where pension liabilities are added into the overall projection of provinces current situation. So could you make some comments on the unrecorded pension liabilities here.

Ms. Bellringer: One of the more significant distinctions when you go through the listing is the nonindexed and the indexation reserve. When the actuary does the calculation for each of the pension funds, well, for the Superannuation Fund, for example, there will be a calculation of what you will have to pay out in defined benefits if there is no indexation. There is a second calculation as to what you will have to pay out if there is, basically, a cost-of-living adjustment paid out when the pensions are paid out. The province is liable for matching payments.

With regard to indexation, that is limited to the amount that is accumulated in a particular account. So if at the end of the day somebody is receiving a pension and is getting a basic portion as well as an indexed portion, but there is not enough in the account to cover that, the province does not have to pay in their half. So the amount of the indexation reserve is limited to the amount sitting in this account that has been collected. It is the extent of the legal liability.

There is a distinction as well from those employees who have been employed by the Operating Fund, and Crown organizations would be those that are fully consolidated in these set of accounts. The MLA account is—the amounts collected from MLAs are actually deposited right into revenue and there is not a separate fund for that. The teachers retirement fund is, again, managed by a separate group, and there is the same distinction between the the indexed and the nonindexed portion.

Mr. Maloway: Mr. Chairperson, I wanted to follow up on a question that the member for Crescentwood asked, and that is the question about whether Mr. Benson could be brought before the committee to ask

questions about the Jets. The minister refused, I believe, to allow Mr. Benson to come before the committee, and I would like to know why that is. Why does he not want Mr. Benson to appear before the committee to answer questions?

Mr. Stefanson: Mr. Chairman, it is not a matter of not wanting Mr. Benson to appear before this committee. As I indicated, if the member for Elmwood listened to my response, we are functioning exactly the same as this committee has functioned ever since I have been an MLA and, I would imagine, ever since he has been an MLA, nothing any different. There has been a suggestion about how the committee should function in the future in terms of whether officials of departments or Crown corporations or whatever appearing before here, and I think that is all part of the overall review that has to be done in co-operation between the House leaders.

As I said, if you listened, Mr. Benson reports to me and, obviously, we discuss all issues that he is involved in in terms of our government. I can answer any questions that the member for Elmwood might have. Plain and simple.

Mr. Chairperson: On the basis of past practices in the Public Accounts committee, only the Auditor and her staff and the Finance department and their staff are normally—the staff do not speak. They speak through the mouth of the minister. That is the practice.

Mr. Maloway: Mr. Chairman, before I get into asking a question or two about the government advertising guidelines that we are all waiting for, I would like to ask the minister to give us a breakdown of the Jets losses for 1991, year by year to the current date.

Mr. Stefanson: Mr. Chairman, the first year that the Winnipeg Jets Hockey Club had a loss was actually June 30, 1993. For June 30, '92, they made a profit. I should point out, which has been pointed out before, but to be sure there is no misunderstanding, the profit carried forward from the date that the interim agreement was signed, if there were any profits they were to roll forward. So June 30, '92, generated a profit; June 30, '93, had a loss; June 30, '94, of course, had a loss; and June 30, '95, had a loss. The total

accumulation as at June 30, 1995, is just over \$20 million of which—as we have said in the House on many occasions, our share, the Province of Manitoba's share—to the end of June '95, is approximately \$10 million.

As I have also pointed out during that same time frame, the direct taxes flowing to the Treasury of the Province of Manitoba as a result of the Winnipeg Jets being in Manitoba to the end of June 1995, during that same period, is about \$18 million. So the Treasury of Manitoba over that period of time as a result of having kept the Jets in Manitoba was a net gain to our Treasury of \$8 million.

* (1220)

Mr. Maloway: Mr. Chairperson, we have also been waiting for the government advertising guidelines that the Provincial Auditor requested be drawn up. I would like to know just at what stage the minister is at with regard to these guidelines.

Mr. Stefanson: Mr. Chairman, I will gladly pull again the correspondence from the Provincial Auditor and from the Leader of the Opposition. I do not think she requested specifically that we draft guidelines, if I recall correctly, although I will gladly forward a copy of the letter. It certainly indicated that the issue should be looked at and reviewed and offered assistance to do just that. We have been doing that over a period of time.

I should point to the member for Elmwood (Mr. Maloway) no such guidelines exist anywhere in Canada. From the review we have done, the federal government does not have any nor does any other provincial government that we are aware of at this time. Based on the review we have done, the Auditor did forward some information. Again, I think, even the comments made at that time was that there was not a great deal of information on that issue from other jurisdictions within Canada. The information that was forwarded was not able to point to specific guidelines that are in place in other provinces or other federal governments. It is an issue that we continue to look at, and we will continue to look at.

As I have said before, Mr. Chairman, in terms of our ultimate accountability, certainly there are all kinds of

forums through our legislative sessions, through Question Period in the House or our Estimates process when all departments appear very extensively, and the opposition members can ask any questions about the expenditures of those departments of government, various committees of government, and so on. So there are certainly all kinds of forums for people to get information on advertising dollars and to pass judgment on the reasonableness of those advertising dollars.

We do continue to look at that issue, but it really is fertile ground that no jurisdiction has put anything in place. We have been working with the federal government in terms of what they are looking to do, and we will work with other jurisdictions in terms of whether or not we ultimately change and put in place some guidelines.

Mr. Maloway: Mr. Chairman, the minister is simply dragging his feet. He has absolutely no intention of bringing in government advertising guidelines that have been suggested by this party and that are certainly long overdue. The minister gave the impression that we were going to see government advertising guidelines brought in, and at this juncture he is telling us that he has no intention of doing it. That is the interpretation I get from what he has just said.

Mr. Stefanson: The member for Elmwood is entitled to put his own interpretation or spin on any issue as he certainly does on occasion. I have indicated that it is an issue that we have been looking at. There is not a great deal of information on the issue because nobody has guidelines in place. I know some other jurisdictions are now looking at it. We are looking at it in conjunction with them, and it might ultimately lead to the introduction of some guidelines here in Manitoba

Mr. Kevin Lamoureux (Inkster): It is interesting listening to all the discussions about the Winnipeg Jets. About a week ago I was at the local McDonald's and someone brought up the fact that Winnipeg Jets are costing us a fortune and they did not understand why. Millions of dollars of losses are paid and they would say, look, there are only so many players on a hockey team and where is all this money going to? I wished I would have had answers in terms of exactly where the funds actually go, but there is, through the interim

agreement, the province does have the ability to see the actual books.

When the Jets are gone it would be most interesting to see those representatives who were on that committee just to find out exactly where that money has been spent. Because, you know, when you take a look at ticket sales, when you take a look at the millions of dollars that are being contributed to the Winnipeg Jets, you have to wonder, why, what percentage of it actually goes towards the players and the type—you know, what are management fees and rental fees and so forth?

Hopefully, we will get the opportunity to have that sort of a debate. But suffice to say that is not the line of questioning I was going to ask this afternoon because we do not really have too much time.

Unfortunately, I could not be here earlier because I was dealing with a constituency concern, a constituency issue. But had I been, I would have entered into the debate regarding the motion that the government and Mr. Penner had put forward, and would have spoken out against it, primarily because I do not that believe we should be putting limitations on the opposition. But what it did is that it made me think about a discussion that I actually had with the Provincial Auditor and some staff prior to the election. I had indicated to her that, if I am fortunate enough to get re-elected, it would be nice to be able to carry on the discussion, and the discussion was about the need for change or what possibilities the Provincial Auditor's office might have into the future.

I would ask the Provincial Auditor in terms of what ultimately it is that the Provincial Auditor's office, or can we anticipate as individual, independent MLAs, if you like, of seeing some sort of report on recommendations on what she or the Auditor's office would ultimately like to see in terms of MLAs being better able to hold governments accountable, no matter what their political stripe might be. If she can give some sort of a progress update on it.

Ms. Bellringer: I just want to clarify. This is specifically with regard to the forum where we went in and we were asking questions in terms of the

accountability? What we were working on is and was a set of audit criteria so that we could go out and do some comparisons between those criteria and some of the accountability documents, the main ones being the Estimates and the annual reports for departments, and it was focused on departments.

We have completed the creation of audit criteria, and what I think perhaps is a question you can ask to the government as to what one of the indications during discussions—and we go through discussions with central agencies and departments.

In fact, we interviewed a number of people and surveyed even more; we have surveyed all the MLAs with regard to this particular exercise. There needs to be a buy-in by the government so that this is something that they will take and take ownership of and move forward with, and we felt that that kind of transfer will take place and is taking place.

We will have an update in our report. We are releasing our report within the next few weeks with an update of some other reports that we have completed, all of the reports that we had completed during the '94-95 fiscal year, and it will include an update in there of just what the status is.

Basically, what we are looking at now is hoping that there is this kind of buy-in to take it forward to do some improvements in terms of the guidelines presented and the kind of follow-up just by the government, not by us.

Having said that, we are also going to be in a future report, certainly not the one coming up because it is at the printer, but probably the next report that you will get from us some time later in the year, early next year, will have an update doing the comparison between the departmental reports as they had been produced and those guidelines. But the input went into developing those guidelines.

Mr. Sale: Mr. Chairperson, in the spirit of the agreement which we reached earlier in the meeting, I would like to suggest that we now pass the Public Accounts for the year 1992-93. When that is done, I would like to ask the minister if we could pencil in a date for the next meeting.

Point of Order

Mr. Lamoureux: On a point of order, Mr. Chairperson, I would like to be able just to continue asking a few more questions. I have been somewhat patient and would request the ability to continue my questions.

An Honourable Member: You should have shown up when the meeting started.

An Honourable Member: We have an agreement to pass this item at 12:30.

Mr. Lamoureux: I do not believe, Mr. Chairperson, I am being told that there was agreement to pass it at 12:30. I do not believe that is the case because I did check with the assistant clerk. I believe I should be entitled to ask some questions of the Provincial Auditor. I believe I have been very generous in terms of allowing other members and would ask to be able to do that.

Mr. Chairperson: There is a commitment of the committee that we will pass Volumes 1, 2 and 3 of the Public Accounts for the fiscal year ending March 31, 1993, as well as the Provincial Auditor's Report for the fiscal year ending March 31, 1993. We will do it volume by volume and we committed ourselves as a committee to do that.

Point of Order

Mr. Lamoureux: On a point of order, Mr. Chairperson, was there a commitment to be out of here by 12:30?

Mr. Chairperson: No specific time, but we are committed to pass the report.

Mr. Lamoureux: And to that end, Mr. Chairperson, I would ask because there was no commitment to be out of here by 12:30, if the member for Crescentwood allow me the opportunity as an opposition member, as an independent member, to ask some questions of the Provincial Auditor.

Having said that, Mr. Chairperson, I would like to go on and ask just a few questions.

Mr. Chairperson: What is the pleasure of the committee? This is a point of order.

Mr. Radcliffe: I would like to speak to the point of order, Mr. Chairman. One of the alternatives which was presented this morning was that we would be liberal with the asking of questions but that the business at hand of passing these accounts proceed in an orderly fashion, and I would urge that in response to the honourable member's point of order that we proceed in that fashion and proceed with a vote at this time.

Mr. Chairperson: Clarification here. The committee agreed to pass these reports. The committee had no agreement as to the specific time we will adjourn. What is the pleasure of the committee?

Mr. Stefanson: Mr. Chairman, I am the last one or amongst the last ones that would ever want to shut off the member for Inkster in terms of asking any question, but he has been on this committee on various occasions and traditionally we have adjourned at 12:30, and I did not think it was necessary at the outset to say we were going to adjourn at 12:30.

I think if we checked the records the vast majority, if not all of the time, we have adjourned at 12:30. I think some of us have planned our days around that in terms of other commitments and in terms of respect for that with all of us, I would hope that he could save his questions for another day and I am sure we will get another opportunity to deal with them at this committee or other forums.

Mr. Lamoureux: Mr. Chairperson, I am sure the minister would be very sympathetic to the sense that this is the first time that I am aware where a motion was actually moved and passed to actually pass a report where opposition members were quite content to allow this to go to another day if it was deemed necessary. There was no agreement, nothing in the motion in itself that said we had to rise for 12:30, so I did feel it was appropriate to be patient and wait for the opportunity to ask questions. I did that. I am in full compliance with this motion. This issue was raised at 25 after and it would have only taken five minutes or so to be able to ask those questions. It is not being unrealistic. The

type of questions I want to know is not necessarily going to require detailed answers that have to be provided, so I again ask if I can just put forward—

Mr. Chairperson: Is it the will of the committee to allow Mr. Lamoureux enough time beyond 12:30 to ask questions?

Some Honourable Members: No.

Mr. Chairperson: I could sense the committee said no.

* * *

Mr. Chairperson: Public Accounts, Volume 1 for the fiscal year ending March 31, 1993—pass. Public Accounts, Volume 2 for the fiscal year ending March 31, 1993—pass.

Mr. Lamoureux: I would ask if we could have a recorded vote.

Mr. Chairperson: A recorded vote has been asked for Volume 2. All those in favour of passing Volume 2, please raise your hand. Count it. All those opposed? Eight to one.

Shall the Public Accounts, Volume 3 for fiscal year ending March 31, 1993, pass?

Some Honourable Members: Pass.

An Honourable Member: No.

Mr. Chairperson: One no.

Mr. Lamoureux: Let us have a recorded vote again.

Mr. Chairperson: Counted vote. All those in favour raise your hand, please. Only one hand. All those opposed? Nine to one.

Mr. Sale: Mr. Chairperson, can we have a time to reconvene? Can we use our books since we are all here now?

Mr. Chairperson: The Provincial Auditor's Report for the fiscal year ending March 31, 1993—pass.

Mr. Lamoureux: Recorded vote again, Mr. Chairperson.

Mr. Chairperson: Recorded vote. All in favour? Against? Nine to one. Yes, Mr. Sale?

Mr. Sale: Mr. Chairperson, in the spirit of the co-operation which you are trying to establish here, can we pencil in a proposed date for another meeting of this committee perhaps in the next week?

Mr. Chairperson: The member may make a motion to make recommendations but cannot bind the committee as to what time it will meet again.

Mr. Stefanson: Mr. Chairperson, I think we should leave the matter for the House leaders to decide.

Mr. Chairperson: The hour being 12:35, committee rise.

COMMITTEE ROSE AT: 12:35 p.m.